

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
SEPTEMBER 15, 2005, BOARD MEETING

BOARD MEMBERS PRESENT: Mark Sanford, President
Barb Evanson, Vice President
Clarence Corneil, Trustee
Michael Gessner, Trustee
Lowell Latimer, Trustee
Wayne Sanstead, State Superintendent
Kelly Schmidt, State Treasurer

STAFF PRESENT: Steve Cochrane, Executive Director
Fay Kopp, Deputy Executive Director
Vida Keller, Administrative Assistant
Les Mason, Internal Audit Supervisor
Shelly Schumacher, Retirement Spvr.
Dottie Thorsen, Internal Auditor

OTHERS PRESENT: Gloria Lokken, NDEA
Scott Miller, Attorney General's Office
Howard Snortland, NDRTA
Ken Tupa, NDRTA
Tom Tupa, NDRTA
Tami Wahl, NDRTA
Janet Welk, ESPB

CALL TO ORDER:

Dr. Mark Sanford, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:05 p.m. on Thursday, September 15, 2005, at the State Capitol, Sakakawea Room, Bismarck, North Dakota.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM:
TREASURER SCHMIDT, MRS. EVANSON, PRESIDENT SANFORD, DR.
SANSTEAD, MR. GESSNER, MR. CORNEIL, AND DR. LATIMER.

MINUTES:

The Board considered the minutes of the July 14, 2005, meeting.

TREASURER SCHMIDT MOVED AND DR. SANSTEAD SECONDED TO APPROVE THE MINUTES OF THE JULY 14, 2005, MEETING AS PRESENTED.

AYES: TREASURER SCHMIDT, MRS. EVANSON, PRESIDENT SANFORD, DR. SANSTEAD, MR. GESSNER, MR. CORNEIL, AND DR. LATIMER.

NAYS: NONE

MOTION PASSED

ANNUAL TFFR INVESTMENT REVIEW:

Mr. Steve Cochrane, Executive Director, presented TFFR's Annual Investment Review to the Board. Mr. Cochrane stated TFFR's actual return as of June 30, 2005, was 13.36%, which exceeded the asset class benchmark return of 11.68%. Mr. Cochrane reviewed TFFR's asset allocation, relative performance by asset class, and transition to new asset allocation effective August 2005. A copy of Mr. Cochrane's presentation is on file at the Retirement and Investment Office (RIO).

DR. SANSTEAD MOVED AND MRS. EVANSON SECONDED TO ACCEPT THE ANNUAL TFFR INVESTMENT REVIEW AS PRESENTED.

AYES: MR. GESSNER, DR. LATIMER, TREASURER SCHMIDT, MRS. EVANSON, MR. CORNEIL, PRESIDENT SANFORD, AND DR. SANSTEAD.

NAYS: NONE

MOTION PASSED

BOARD EDUCATION:

Mr. Scott Miller, Assistant Attorney General, provided board education on legal issues affecting pension plans, fiduciary responsibilities, and trustee ethics. He also reviewed his research relating to the constitutionality of making pension plan benefit modifications as stated in his March 9, 2004, letter. Mr. Miller advised the Board that because of the employee contract clauses in both the Federal and State Constitutions, the state cannot pass a law impairing a contractual obligation. Since public pension obligations in North Dakota are contractual obligations, retirement benefits and member contributions cannot be changed for active vested, inactive vested, and retired members, but can be changed for future new hires and inactive nonvested members. A copy of Mr. Miller's presentation is on file at RIO.

Board discussion followed. The Board directed Mr. Miller to research the issue of continuing contract rights for teachers and how it affects their pension contract rights when they change employment from one ND school district to another. The Board also asked Mr. Miller to reconsider whether the state could require retirees who are re-employed in a ND school district to pay member contributions.

The Board recessed at 2:50 p.m. and reconvened at 3:00 p.m.

Mrs. Fay Kopp presented a draft Board Members' Code of Conduct policy for Board approval. Discussion followed. It was suggested to change the word "should" to "shall" throughout the policy.

MRS. EVANSON MOVED AND MR. CORNEIL SECONDED TO APPROVE THE BOARD CODE OF CONDUCT POLICY WITH SUGGESTED CHANGES.

AYES: MR. CORNEIL, MRS. EVANSON, DR. LATIMER, DR. SANSTEAD, TREASURER SCHMIDT, PRESIDENT SANFORD, AND MR. GESSNER.
NAYS: NONE

MOTION PASSED

LEGISLATIVE PLANNING:

Mrs. Kopp updated the Board on the August 30, 2005, meeting of the Legislative Employee Benefits Programs Committee (EBPC). The EBPC will review TFFR and Public Employees Retirement System (PERS) legislative proposals along with a special study of state employee compensation issues.

Mrs. Kopp presented the Board with a draft of legislative proposals for the 2007 session. Board discussion followed. The Board will receive the 2005 Actuarial Valuation Report at the November meeting, and will continue to consider possible legislative proposals.

TFFR GOALS REVIEW:

Mrs. Kopp presented a TFFR Mission and Goals Discussion Document to the Board. Lengthy board discussion followed. The Board asked Mrs. Kopp to provide additional information comparing ad hoc retiree benefit increases using both a percentage (2%) and a fixed rate formula (\$2/\$1).

Dr. Sanstead left the meeting.

ANNUAL TFFR ENDS MONITORING REPORT:

Mrs. Shelly Schumacher, Retirement Program Supervisor, presented the annual review of the TFFR Ends policies. A copy of the report is on file at RIO.

TREASURER SCHMIDT MOVED AND MR. CORNEIL SECONDED TO APPROVE THE ANNUAL TFFR ENDS MONITORING REPORT AS PRESENTED.

AYES: MRS. EVANSON, MR. CORNEIL, TREASURER SCHMIDT, MR. GESSNER, DR. LATIMER, AND PRESIDENT SANFORD.
NAYS: NONE

MOTION PASSED

ANNUAL TFFR AUDIT PROGRAM REVIEW:

Mr. Les Mason, Internal Audit Supervisor, reviewed TFFR's retirement program audit activities for the year ended June 30, 2005. Mr. Mason summarized internal audit's results of School District Reporting, Compliance Audit for Benefit Payments,

Participants' Data for Actuarial Valuation, and TFFR File Maintenance. A copy of Mr. Mason's report is on file at RIO.

MR. CORNEIL MOVED AND MR. GESSNER SECONDED TO APPROVE THE ANNUAL TFFR AUDIT PROGRAM REVIEW AS PRESENTED.

AYES: DR. LATIMER, MRS. EVANSON, PRESIDENT SANFORD, TREASURER SCHMIDT, MR. GESSNER, AND MR. CORNEIL.

NAYS: NONE

MOTION PASSED

CPAS PENSION SOFTWARE IMPLEMENTATION UPDATE:

Mrs. Kopp reviewed the CPAS Steering Committee Report and Summary, and updated the Board on the status of the project. Mrs. Kopp stated the project is on track with the revised project schedule with plans to go live in production by September 30, 2005. The project is presently under budget and is on time.

RETIREMENT OFFICER'S REPORT:

Mrs. Kopp reviewed the Retirement Officer's report. A copy is on file at RIO.

CONSENT AGENDA:

MRS. EVANSON MOVED AND TREASURER SCHMIDT SECONDED TO APPROVE ONE MEMBER ELIGIBLE FOR A TOTAL PERMANENT DISABILITY BENEFIT.

AYES: TREASURER SCHMIDT, MRS. EVANSON, DR. LATIMER, MR. GESSNER, MR. CORNEIL, AND PRESIDENT SANFORD.

NAYS:

MOTION PASSED

EXECUTIVE SESSION:

President Sanford announced the Board would go into Executive Session to discuss confidential member information relating to eligible TFFR salary. President Sanford reminded the Board Executive Session discussion must be limited to the confidential issue only. Under North Dakota Century Code (NDCC) 44-04-19.1(2), the Board has the legal authority to meet in Executive Session for the purpose of discussing confidential retirement information.

EXECUTIVE SESSION

Executive Session attendees included: Treasurer Schmidt, Mrs. Evanson, President Sanford, Dr. Latimer, Mr. Corneil, Mr. Gessner, Mr. Miller, and RIO staff.

Executive Session began at 4:44 p.m. and ended at 4:53 p.m.

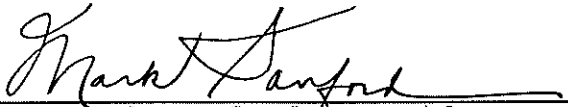
OPEN SESSION

The Executive Session was for informational purposes only and no Board action was taken.

ADJOURNMENT:

With no further business to come before the Board, President Sanford adjourned the meeting at 4:55 p.m.

Respectfully Submitted:



Dr. Mark Sanford, President
Teachers' Fund for Retirement Board



Vida Keller, Reporting Secretary